

CENTER FOR CAPITAL MARKETS
COMPETITIVENESS

How Main Street Businesses Use Financial Services

Key Survey Findings

April 10, 2013



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Methodology

- On behalf of the U.S. Chamber of Commerce's Center for Capital Markets Competitiveness (CCMC), FTI Consulting conducted a survey among **219 CFOs and Corporate Treasurers**, representing both privately-held and publicly-traded companies.
- The objective of this survey was to understand the financial services needs of mid-sized and large-sized companies and their use of commercial banking and other financial services.
- As such, respondents were screened to ensure they:
 - Worked for companies with at least \$75 million in annual revenue.
 - Are very closely involved with at least one significant financial function of their company.
- The survey was conducted online from March 12 – April 1, 2013.
- Additional follow-up interviews were conducted to glean additional, qualitative insights.

Summary

1 ■ Choice & Diversity Are Paramount

- **95% of Main Street businesses surveyed use 5 or more financial services.**
- **And, they use multiple institutions to meet their financial services needs. Among Main Street businesses that issue debt, 62% use 5 or more different institutions and 25% use 10 or more institutions.**

2 ■ Choice + Diversity = Flexibility

- **They use multiple institutions of different sizes to meet their needs. Among Main Street businesses that issue debt, 84% use global institutions, 34% use national institutions, and 21% use a regional/local bank.**
- **As the economy has improved, Main Street businesses are using more financial vehicles than 2-3 years ago. Specifically, 21% say the number of financial vehicles they use has increased, while only 6% say they use fewer financial vehicles.**

Summary

3. Ineffective Regulations = Reduced Choices And Increased Costs

- **More Main Street businesses say Dodd-Frank is reducing choice, rather than creating more choice.**
- **71% rate Dodd-Frank as negatively affecting their ability to access services.**
- **79% of those who say Dodd-Frank is hurting their access to financial services say financial services costs are increasing and causing them to delay investments, make cuts.**

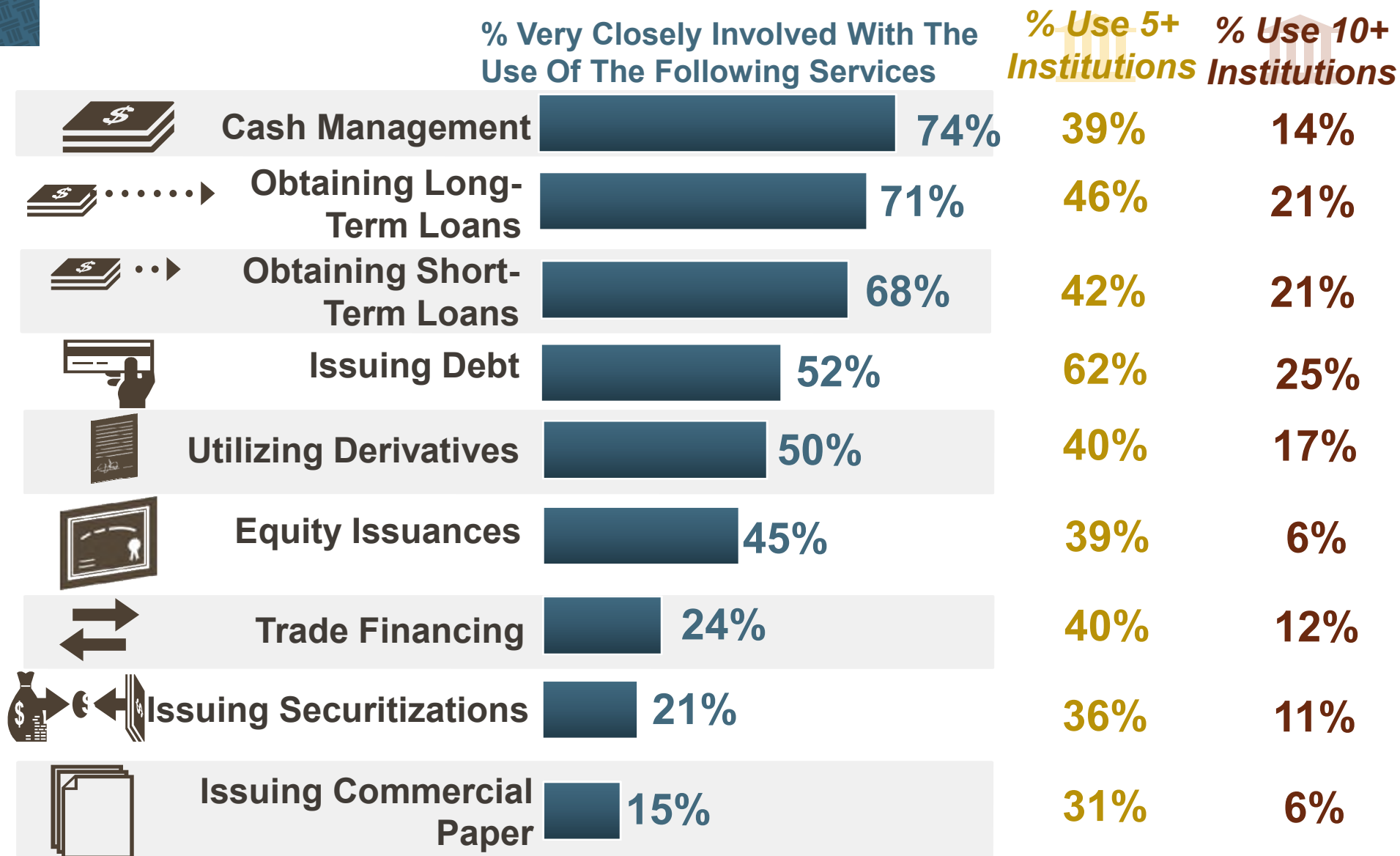


Summary

4. Main Street Businesses Tend To Favor Trends & Policies That Preserve Choice









- They tend to view the preservation of regional and community banks as a positive trend affecting their ability to access services.
- They tend to view consolidation of banks as a negative trend affecting their ability to access services.
- They tend to view the hypothetical breakup of larger banks as a negative trend affecting their ability to access services.
- Main Street businesses favor trends that preserve choice and diversity within the system.

Main Street Businesses Use Many Different Financial Services



Percentages displayed are among those “Very Closely” involved with their company’s use of that service.

All Types of Financial Institutions Are Needed to Meet Financial Service Needs

		Global	National	Regional	Local
	Cash Management	60%	48%	27%	11%
	Obtaining Long-Term Loans	66%	43%	27%	6%
	Obtaining Short-Term Loans	61%	50%	28%	9%
	Issuing Debt	84%	34%	18%	3%
	Utilizing Derivatives	74%	40%	13%	2%
	Equity Issuances	77%	31%	10%	2%
	Trade Financing	63%	35%	27%	10%
	Issuing Securitizations	87%	33%	9%	0%
	Issuing Commercial Paper	84%	22%	0%	3%

Percentages displayed are among those “Very Closely” involved with their company’s use of that service.

Main Street Businesses Value Services, Presence, And Products

How important is it for your company to have a bank that...

1- Not At All Important

5-Very Important



Has a wide spectrum of services



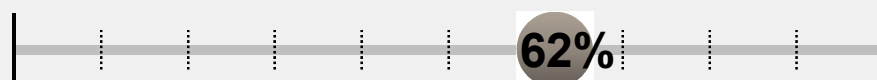
Has a presence in the region(s) your company does business



Has a large domestic footprint



Specializes in specific products



Has a large global footprint



Percentages displayed are the percentages who rate each factor a "4" or "5" on a 1-5 Importance Scale.

As the Economy Has Improved, Main Street Businesses Have Tended to Use More Vehicles & More Global Banks Rather Than Fewer

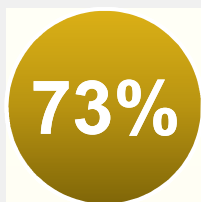
*Have used **more** rather than fewer financial vehicles...*

Financial Vehicle Use Change

Has the number of financial vehicles your company has used increased or decreased over the past 2-3 years?



Increased



Stayed About The Same



Decreased

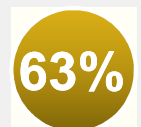
Have used Global Financial Institutions more rather than less...

Use of Global Banks

Compared to 2-3 years ago, does your company use global banks more, the same, less, or we never used them?



More



Same



Less



Never Used

Main Street Businesses Have Taken Steps to Deal With Increased Financial Services Costs...

Only two and a half years into Dodd-Frank implementation, which of the following actions, if any, has your company had to take as a result of the increased costs of financial services?



Overall, 61% of CFOs have taken an action that negatively impacts consumers, investment, job creation, or services.

Voices of Choice: Main Street Businesses

*"We had been taking on derivatives in the U.S. that were supporting our overseas entities. As we don't want to face **increased complexity and cost** imposed by Dodd-Frank, we are moving the derivatives back to our overseas entities."*

*"As there is **more regulation**, banks need to add overhead to complete their processes. **We continue to shop the market.**"*

Price

*"Our company **competitively bids these services on a more frequent basis** to attempt to curb the pass-through of the [regulatory] administrative burdens."*

Service

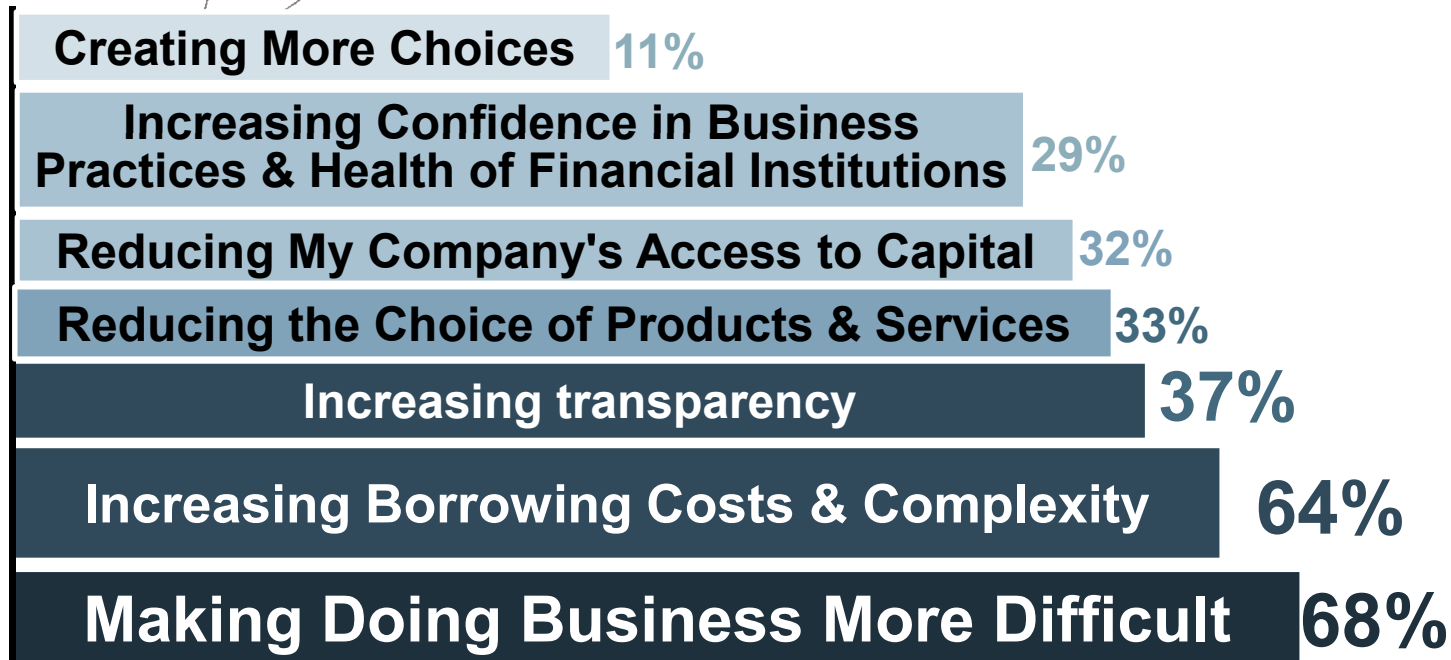
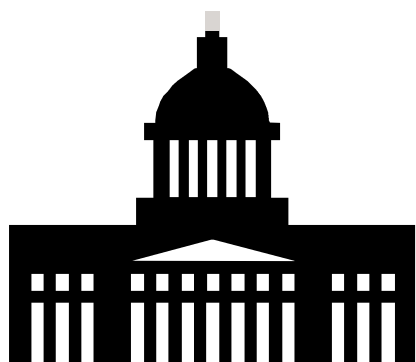
*"We are **using more global banks now** that we have an affiliate company in Mexico, suppliers in Europe and Canada."*

"We've diversified banks, local and global for different uses as the company has broadened its activity: derivatives, corporate short-term debt, and project finance."

New Regulations Are Hurting Their Business And Borrowing, And Aren't Increasing Choice Or Confidence

Impact of new regulations...

"I'm not certain that our legislators in Washington understand that banks need to earn decent ROEs for their shareholders, with their shareholders being 401k plans, pension plans, etc. In the end, the American public suffers."





Main Street Businesses See Dodd-Frank As A Big Trend Driving Increases in Financial Services Costs

61 % say that the increased financial services costs have forced them to delay investment or make cuts.

Of the 61%, four out of five said that Dodd-Frank has negatively impacted his company's access to services.

Of the 61%, about 70% say that breaking up the larger banks would negatively impact his company's access to services.

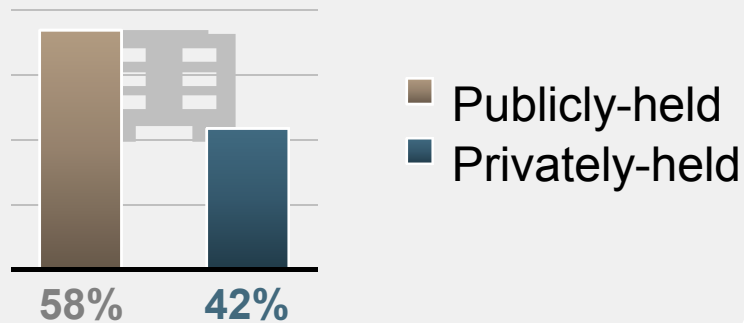
"Increased margin requirements, capital requirements, and regulatory compliance costs are the key cost drivers. We are constantly looking at out of the box ideas to reduce cost."

APPENDIX

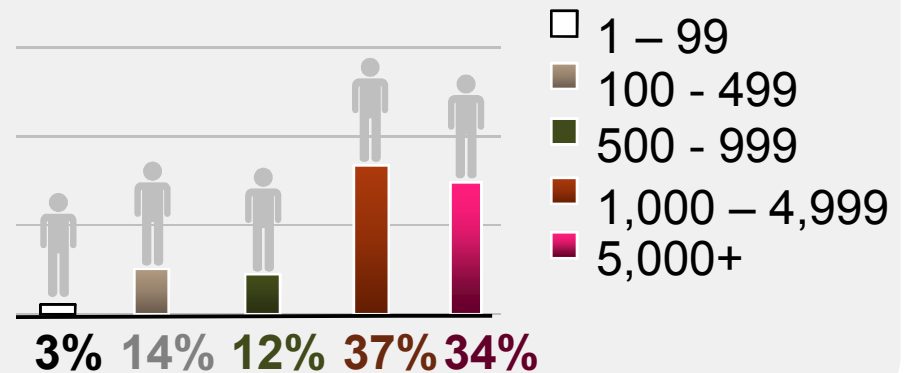
Sample Summary

Public / Private

Is your company...

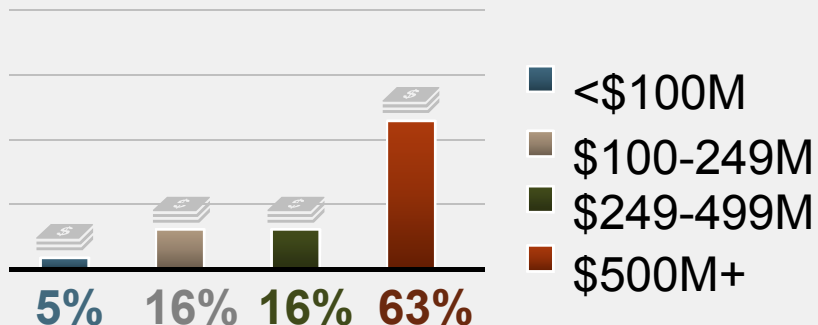


Number of Employees



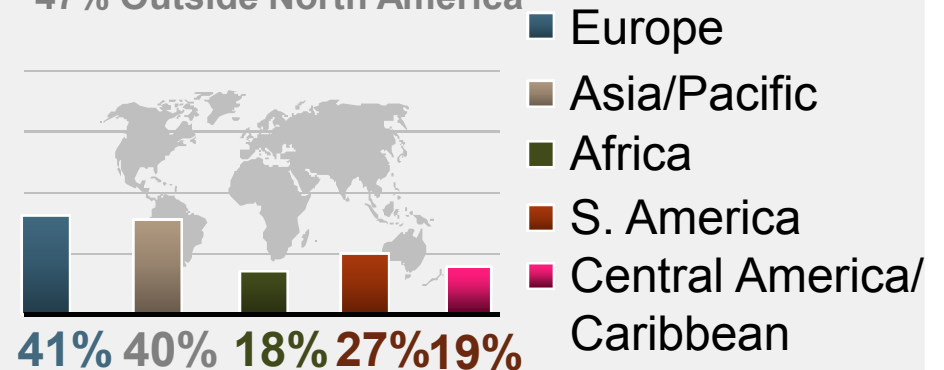
Annual Revenue

And, what is your company's annual revenue?



Overseas Region of Operation

47% Outside North America



Note - Operations outside N America